GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:751
ANSWERED ON:23.11.2000
AMENDMENT IN COMAPANIES ACT
SU THIRUNAVUKKARASAR

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is proposed to amend the Companies Act, 1956 to protect the interest of small investors;

(b) if so, the details thereof and the time by which it is proposed to be amended; and

(c) if not, the reasons therefor?

Answer

MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS AND SHIPPING (SHRI ARUN JAITLEY)

(a): Yes, Sir.

(b) & (c): The Government is bringing forward an amendment in the Companies Act through the Companies (Second Amendment) Bill, 1999. The gist is as under:

(A) Every fund received from banks after the default (under Section 58A) for workingcapital purposes shall be utilised first for repayment of deposits and interest of small depositors before applying the funds for any other use;

(B) Section 58A defaulting companies will report to the CLB about the details ofdepositors to whom the payments have not been made;

(C) To make provision for postal ballot;

(D) A director of a section 58A defaulting company will be debarred from becoming Director in any other company;

(E) Dividend declared will have to be paid within 30 days instead of 42 days;

(F) The fines have been increased by ten times in case of default.